

*Consolidated Financial Statements of*

**BELZBERG TECHNOLOGIES INC.**

*September 30, 2001*

*(in Canadian dollars)*

*Unaudited*

# Belzberg Technologies Inc.

## Consolidated Balance Sheets

(Unaudited)

(Canadian Dollars)

	September 30 2 0 0 1	December 31 2 0 0 0
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and short-term investments	\$ 7,049,373	\$ 5,694,369
Accounts receivable	5,107,896	3,749,620
Government assistance receivable	279,955	1,149,779
Prepaid and sundry	420,689	285,670
Discontinued operations (Note 8)	47,427	28,555
	<u>12,905,340</u>	<u>10,907,993</u>
<b>CAPITAL ASSETS</b>		
Owned	3,149,242	1,606,907
Held under capital lease	3,888,327	3,160,393
	<u>7,037,569</u>	<u>4,767,300</u>
Accumulated amortization	(2,215,196)	(1,016,118)
	<u>4,822,373</u>	<u>3,751,182</u>
GOODWILL, net of accumulated amortization	710,687	450,640
DISCONTINUED OPERATIONS (Note 8)	-	349,710
	<u>\$ 18,438,400</u>	<u>\$ 15,459,525</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued	\$ 1,889,144	\$ 1,363,642
Due on acquisition (Note 6)	284,694	-
Unearned and deferred revenue	805,358	1,031,144
Current portion of long term	1,584,028	862,286
Discontinued operations (Note 8)	46,944	7,325
	<u>4,610,168</u>	<u>3,264,397</u>
<b>LONG TERM</b>		
Bank loan (Note 7)	382,195	-
Obligations under capital lease	1,561,119	1,418,091
Deferred revenue	35,512	112,424
	<u>6,588,994</u>	<u>4,794,912</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 4)	22,647,184	17,957,181
Warrants	1,782,900	1,782,900
Deficit	(12,580,678)	(9,075,468)
	<u>11,849,406</u>	<u>10,664,613</u>
	<u>\$ 18,438,400</u>	<u>\$ 15,459,525</u>

Approved on behalf of the Board

"Sidney H. Belzberg"

..... Director

"Lawrence J. Cyna"

..... Director

**Belzberg Technologies Inc.**  
**Consolidated Statements of Earnings**

(Unaudited)

(Canadian dollars)

	<u>Nine months ended</u>		<u>Three months ended</u>	
	<u>September 30, 2001</u>	<u>September 30, 2000</u>	<u>September 30, 2001</u>	<u>September 30, 2000</u>
REVENUE	\$ 17,325,997	\$ 7,972,007	\$ 6,331,799	\$ 2,935,431
COST OF REVENUE	6,816,598	2,645,427	2,803,074	966,275
GROSS PROFIT	<u>10,509,399</u>	<u>5,326,580</u>	<u>3,528,725</u>	<u>1,969,156</u>
OPERATING EXPENSES				
Research and development	2,292,317	1,359,640	739,505	528,224
Sales and marketing	3,573,849	2,061,921	1,228,959	704,663
Administration	4,882,309	1,694,946	1,957,142	622,230
	<u>10,748,475</u>	<u>5,116,507</u>	<u>3,925,606</u>	<u>1,855,117</u>
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS	(239,076)	210,073	(396,881)	114,039
Interest income	249,174	156,603	59,897	51,211
Interest expense	(357,233)	(220,873)	(93,940)	(56,901)
Amortization	(1,289,813)	(512,646)	(446,916)	(258,516)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX	(1,636,948)	(366,843)	(877,840)	(150,167)
INCOME TAX	(58,459)	-	(9,378)	-
LOSS FROM CONTINUING OPERATIONS	<u>(1,695,407)</u>	<u>(366,843)</u>	<u>(887,218)</u>	<u>(150,167)</u>
DISCONTINUED OPERATIONS				
Net loss for the period	(831,861)	(66,757)	(300,587)	(66,757)
Loss on disposal	(361,440)	-	(361,440)	-
	<u>(1,193,301)</u>	<u>(66,757)</u>	<u>(662,027)</u>	<u>(66,757)</u>
NET LOSS	(2,888,708)	(433,600)	(1,549,245)	(216,924)
DEFICIT, beginning of period	(9,075,468)	(8,729,406)	(10,812,206)	(8,946,082)
Excess of purchase price of shares over average share value (Note 4)	(616,502)	-	(219,227)	-
DEFICIT, end of period	<u>\$ (12,580,678)</u>	<u>\$ (9,163,006)</u>	<u>\$ (12,580,678)</u>	<u>\$ (9,163,006)</u>
LOSS PER SHARE FROM CONTINUING OPERATIONS				
Basic and diluted	<u>(\$0.15)</u>	<u>(\$0.04)</u>	<u>(\$0.08)</u>	<u>(\$0.02)</u>
LOSS PER SHARE FROM DISCONTINUED OPERATIONS				
Basic and diluted	<u>(\$0.11)</u>	<u>(\$0.01)</u>	<u>(\$0.06)</u>	<u>(\$0.01)</u>
WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES	<u>10,993,529</u>	<u>9,395,110</u>	<u>10,993,529</u>	<u>9,395,110</u>

**Belzberg Technologies Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

(Canadian dollars)

	Nine months ended		Three months ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
<b>CASH PROVIDED BY (USED FOR):</b>				
<b>OPERATING ACTIVITIES</b>				
Loss from continuing operations	\$ (1,695,407)	\$ (366,843)	\$ (887,218)	\$ (150,167)
Items not affecting cash:				
Amortization of capital assets	1,198,949	503,271	415,765	249,141
Amortization of goodwill	90,864	9,375	30,289	9,375
Amortization of gain on disposal of capital assets	(75,049)	-	(24,379)	-
Stock compensation expense	85,410	-	28,470	-
	<u>(395,233)</u>	<u>145,803</u>	<u>(437,073)</u>	<u>108,349</u>
Net change in non-cash working capital items (Note 5)	808,623	(3,666,242)	(977,393)	(1,045,802)
Cash used by discontinued operations	(844,642)	(67,017)	(276,757)	(67,017)
	<u>(431,252)</u>	<u>(3,587,456)</u>	<u>(1,691,223)</u>	<u>(1,004,470)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of note payable	-	(1,154,640)	-	-
Repayment of obligations under capital lease	(791,464)	1,185,376	(282,217)	1,203,524
Increase in capital lease obligations	799,728	-	407,155	-
Purchase of common shares	(787,050)	-	(303,893)	-
Proceeds on issuance of capital stock	4,723,991	8,038,942	5,000	1,400
Proceeds from bank loan	716,978	-	716,978	-
Proceeds on issuance of warrants	-	1,782,900	-	159,600
	<u>4,662,183</u>	<u>9,852,578</u>	<u>543,023</u>	<u>1,364,524</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of capital assets	(2,251,583)	(2,738,522)	(920,682)	(1,490,323)
Proceeds on disposal of capital assets	-	680,621	-	680,621
Acquisition of eContracts Inc.	-	(150,000)	-	(150,000)
Acquisition of Robert C. Sheehan & Associates, Inc.	(624,344)	-	-	-
Loss from discontinued operations	-	9,586	-	9,586
	<u>(2,875,927)</u>	<u>(2,198,315)</u>	<u>(920,682)</u>	<u>(950,116)</u>
<b>INCREASE (DECREASE) IN CASH POSITION DURING THE PERIOD</b>	<b>1,355,004</b>	<b>4,066,807</b>	<b>(2,068,882)</b>	<b>(590,062)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period (Note 3)</b>	<b>5,694,369</b>	<b>63,956</b>	<b>9,118,255</b>	<b>4,720,825</b>
<b>CASH AND CASH EQUIVALENTS, end of period (Note 3)</b>	<b>\$ 7,049,373</b>	<b>\$ 4,130,763</b>	<b>\$ 7,049,373</b>	<b>\$ 4,130,763</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>				
Value of share capital recorded on compensation expense	\$ 136,560	\$ -	\$ 79,620	\$ -
Value of share capital for acquisition of subsidiary	\$ -	\$ 562,500	\$ -	\$ 562,500
Acquisition of capital assets with debt	\$ 767,576	\$ -	\$ 392,342	\$ -
Interest paid	\$ 344,986	\$ 102,407	\$ 110,079	\$ 76,195
Income taxes paid	\$ 58,459	\$ -	\$ 9,378	\$ -

# Belzberg Technologies Inc.

## Notes to the Consolidated Financial Statements

September 30, 2001

(Unaudited)

(in Canadian dollars)

### 1. DESCRIPTION OF BUSINESS

Belzberg Technologies Inc. and its wholly-owned subsidiaries ("the Company") is a supplier of global Internet trading solutions, intelligent order routing systems, e-commerce gateways, and business-to-business integration solutions with revenues primarily from the financial sector.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods as the most recent consolidated financial statements for the year ended December 31, 2000 except as discussed below. Note disclosures have been presented for material updates to the information previously reported. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2000, as set out in the 2000 Annual Report.

#### Earnings per Share

The Company has adopted the new provisions of Section 3500 of the Handbook of the Canadian Institute of Chartered Accountants titled *Earnings per Share* effective January 1, 2001 and has determined that no restatement is required for any prior period. There is no effect of the new provisions to previously presented information.

### 3. COMPONENTS OF CASH AND SHORT TERM INVESTMENTS

	September 30, 2001	December 31, 2000	September 30, 2000
Cash in banks	\$ 1,452,671	\$ 915,220	1,066,592
Restricted Cash	-	81,000	81,000
Bankers' Acceptances	4,649,602	3,760,147	2,233,423
Deposits held by brokers	947,100	938,002	749,748
	<u>\$ 7,049,373</u>	<u>\$ 5,694,369</u>	<u>\$ 4,130,763</u>

### 4. CAPITAL STOCK AND STOCK OPTIONS

#### Share Capital

Authorized: Unlimited number of common shares

Issued:	Number of shares	Amount	Compensation Expense	Total
Balance at December 31, 2000	10,731,390	\$ 17,900,241	\$ 56,940	\$ 17,957,181
Private placement - February, 2001 (net of issuance cost of \$301,009)	333,334	4,698,991	-	4,698,991
Options exercised	6,600	25,000	-	25,000
Purchase of shares under Normal Course Issuer Bid				
first quarter	(40,800)	(83,606)	-	(83,606)
second quarter	(1,100)	(2,277)	-	(2,277)
third quarter	(41,300)	(84,665)	-	(84,665)
Stock compensation expense				
first quarter	-	-	28,470	28,470
second quarter	-	-	28,470	28,470
third quarter	-	-	79,620	79,620
Shares granted to employee	21,500	193,500	(193,500)	-
Balance at September 30, 2001	<u>11,009,624</u>	<u>\$ 22,647,184</u>	<u>\$ -</u>	<u>\$ 22,647,184</u>

# Belzberg Technologies Inc.

## Notes to the Consolidated Financial Statements

September 30, 2001

(Unaudited)

(in Canadian dollars)

### 4. CAPITAL STOCK AND STOCK OPTIONS (continued)

During the third quarter, the Company purchased 41,300 of its common shares on the open market under a Normal Course Issuer Bid. The excess of the purchase price over the average issue price of shares from Treasury was added to the deficit.

Stock Options	Weighted Average	
	Number	Exercise Price
Balance at December 31, 2000	3,889,500	\$ 6.83
Options granted	1,575,550	6.08
Options forfeited	(375,000)	-
Options exercised	(6,600)	3.79
Balance at September 30, 2001	5,083,450	\$ 6.45

### 5. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Nine months ended September		Three months ended	
	30		September 30	
	2001	2000	2001	2000
Accounts receivable	\$ (790,872)	\$ (2,201,774)	\$ (335,344)	\$ (1,048,029)
Government assistance receivable	869,824	126,073	869,824	-
Prepaid and sundry assets	(135,019)	(199,166)	(5,841)	(219,574)
Accounts payable and accrued liabilities	786,898	(1,432,706)	(462,691)	(177,418)
Unearned and deferred revenue	(227,649)	41,563	81,668	399,451
Due on acquisition	284,694	-	(1,113,862)	-
Discontinued operations	20,747	(232)	(11,147)	(232)
	<u>\$ 808,623</u>	<u>\$ (3,666,242)</u>	<u>\$ (977,393)</u>	<u>\$ (1,045,802)</u>

### 6. ACQUISITION OF ROBERT C. SHEEHAN & ASSOCIATES, INC.

The Company acquired all of the outstanding shares of Robert C. Sheehan & Associates, Inc. effective April 1, 2001. The total purchase price was \$1,294,408. The Company paid cash of \$1,009,714 and the remaining \$284,694 remains as a payable as of September 30, 2001.

The business included, at fair value, \$670,064 of cash, \$567,404 of other current assets, \$18,557 of fixed assets and \$260,327 of current liabilities. The difference between the total purchase price and the net fair value of all identifiable assets and liabilities acquired was \$298,710 and has been allocated to goodwill. Goodwill is amortized on a straight-line basis over seven years.

The purchase price allocation for this acquisition has been based on available information at the time of preparation of these financial statements. To the extent that these amounts prove to be excessive or inadequate, they will be adjusted up to the end of the current year.

### 7. BANK LOAN

The Company has a demand operating facility of \$1,000,000 Canadian and \$625,000 US that may be used to finance corporate requirements or leasehold improvements. The Company has used \$717,000 of the Canadian facility, repayable in blended monthly payments of principal and interest of approximately \$31,000. At period end, the balance of the credit facility had not yet been utilized. Interest is at the bank's prime rate plus ¾%. The debt is secured by a general security agreement on the Company's assets. The agreement requires that the Company maintain a minimum tangible net worth of \$10 million Canadian.

# Belzberg Technologies Inc.

## Notes to the Consolidated Financial Statements

September 30, 2001

(Unaudited)

(in Canadian dollars)

### 8. DISCONTINUED OPERATIONS

On September 30, 2001 the Company ceased operations of its wholly-owned subsidiary, eContracts Inc., and accordingly the business is accounted for as a discontinued operation. eContracts Inc was a business to business market place, and a developer of on-line procurement and supply chain integration solutions. It provided an internet based, on-line negotiations platform allowing buyers and sellers to participate in real-time bidding sessions for industrial parts, raw materials, and services. Additional information related to the discontinued operation is as follows:

#### Statement of Operations

	Nine months ended		Three months ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
<b>Revenue</b>	<b>\$ 30,668</b>	<b>\$ -</b>	<b>\$ 3,141</b>	<b>\$ -</b>
Net loss for the period	(831,861)	(66,757)	(300,587)	(66,757)
Loss on disposal	(361,440)	0	(361,440)	0
<b>Loss from discontinued operations</b>	<b>\$ (1,193,301)</b>	<b>\$ (66,757)</b>	<b>\$ (662,027)</b>	<b>\$ (66,757)</b>

### 9. SEGMENTED INFORMATION

The Company reports segmented information according to CICA reporting requirement Section 1701, Segment Disclosures. This standard requires segmentation based on the way management organizes segments for monitoring performance. Previously under this standard, it was determined that the Company operated in one industry segment, as a supplier of global Internet trading solutions, intelligent order routing systems, e-commerce gateways, and business-to-business integrations solutions with revenues primarily from the financial sector (collectively referred to as the Core business).

The operations of eContracts Inc. ("eContracts"), acquired in July, 2000, were not a significant segment of the Company in 2000 and accordingly, were not disclosed as a reportable segment in the prior year's financial statements. In 2001, the Company incurred significant costs to develop the eContracts business and has determined that it is appropriate to report the Company's operations in two segments, the Core business and eContracts.

There are no significant inter-segment revenues.

	Revenues	Net Loss	Total Assets
<b>Quarter ended March 31, 2001</b>			
Core	\$ 4,550,082	(\$133,818)	\$ 19,080,047
eContracts	16,610	(249,523)	444,113
	<b>4,566,692</b>	<b>(383,341)</b>	<b>19,524,160</b>
<b>Quarter ended June 30, 2001</b>			
Core	6,444,114	(674,371)	20,507,818
eContracts	10,917	(281,751)	372,749
	<b>6,455,031</b>	<b>(956,122)</b>	<b>20,880,567</b>
<b>Quarter ended September 30, 2001</b>			
Core	6,331,799	(887,218)	18,390,973
eContracts	3,141	(662,027)	47,427
	<b>6,334,940</b>	<b>(1,549,245)</b>	<b>18,438,400</b>
<b>Nine months ended September 30, 2001</b>			
Core	17,325,997	(1,695,407)	18,390,973
eContracts (discontinued operation - see note 8)	30,668	(1,193,301)	47,427
	<b>\$17,356,665</b>	<b>(\$2,888,708)</b>	<b>\$18,438,400</b>

# Belzberg Technologies Inc.

## Notes to the Consolidated Financial Statements

September 30, 2001

(Unaudited)

*(in Canadian dollars)*

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### 10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current financial statement presentation.